

1 SIMPLY UTILIZE BELLSOUTH'S NETWORK. IT WILL NOT PROVIDE  
2 ANY ECONOMIC GROWTH, IT WILL NOT PROVIDE ANY JOBS, IT WILL  
3 NOT PROVIDE ANY REAL COMPETITION IN SOUTH CAROLINA. THEY  
4 WILL SIMPLY CONTINUE TO USE BELLSOUTH'S NETWORK. AND WHY  
5 IS THAT? THEY WILL DO THAT BECAUSE THE PRICE OF USING  
6 BELLSOUTH'S NETWORK TO THEM WILL BE FAR LESS THAN THE  
7 PRICE OF CONSTRUCTING THEIR OWN FACILITY. SO FIRST AS A  
8 POLICY MATTER, THAT'S ONE OF THE THINGS I THINK THAT THIS  
9 COMMISSION SHOULD KEEP IN MIND.

10 THE SECOND IS THIS: WILL RESALE EVEN BE  
11 A VIABLE OR REASONABLE ALTERNATIVE IN ANY TYPE OF AN  
12 ARRANGEMENT? ASK YOURSELF: IF YOU COULD BUY SOMETHING  
13 FOR A 10 PERCENT DISCOUNT AND THEN TURN AROUND AND BUY THE  
14 SAME THING FOR A 75 PERCENT DISCOUNT, WHY WOULD YOU EVER  
15 BUY IT FOR A 10 PERCENT DISCOUNT? IT JUST DOESN'T MAKE  
16 ANY SENSE, BUT YET THAT'S WHAT THEY'RE ASKING YOU TO  
17 BELIEVE AND BELIEVE THAT SOMEHOW THAT KIND OF ARRANGEMENT  
18 ENCOURAGES RESALE COMPETITION. NOW TO ME THAT'S A  
19 COMPLETE MYSTERY.

20 IN LISTENING TO HIS NUMBERS, I CAN'T  
21 READ THE OTHER CHART UP THERE, BUT THERE IS IN FACT A  
22 CHART IN MY TESTIMONY THAT DOES IN FACT INCLUDE RESIDENCE  
23 CUSTOMERS AND THE RELEVANT NUMBERS FOR RESIDENCE CUSTOMERS  
24 ARE THESE. AN AVERAGE RESIDENCE CUSTOMER PAYS ABOUT

1       \$35.85 RETAIL. THAT INCLUDES THE VERTICAL SERVICES, LONG  
2       DISTANCE ACCESS, THE TOTAL VALUE OF WHAT THEY--THE TOTAL  
3       PRICE FOR THEIR AVERAGE SERVICE. UNDER A RESALE DISCOUNT  
4       OF 10.4 PERCENT FOR RESIDENCE WOULD BE \$33.37. UTILIZING  
5       AT&T'S PRICES FOR THE UNBUNDLED ELEMENTS WOULD BE \$21.15.  
6       SO WHAT THAT WOULD CREATE IS ALMOST A \$15 SPREAD BETWEEN  
7       THE RETAIL PRICE AND THEIR REBUNDLED UNBUNDLED ELEMENT  
8       PRICES, AND AGAIN THESE ARE THE PRICES TO AT&T. THESE ARE  
9       NOT THE PRICES TO END-USERS.

10               NOW CONTINUING ON WITH ASKING  
11       YOURSELF IS THIS PROPER POLICY, WHAT HAPPENS AS A RESULT  
12       NOW THAT AT&T IS NOW ABLE TO PURCHASE SERVICES, TO PROVIDE  
13       SERVICE TO THAT BUSINESS CUSTOMER OF \$90 FOR \$22? THE  
14       COST THAT BELLSOUTH HAS TO INCUR HASN'T GONE ANYWHERE.  
15       REMEMBER, AT&T IS STILL USING BELLSOUTH'S NETWORK. THE  
16       SAME FACILITIES ARE STILL BEING USED. ALL OF THE SAME  
17       CAPABILITIES ARE STILL BEING USED. THE ONLY THING THAT'S  
18       HAPPENED IS THAT WE'RE NO LONGER BILLING THE END-USER,  
19       WE'RE BILLING AT&T. IF YOU GO BACK TO MR. GILLAN'S CHART  
20       WHERE HE SHOWED THE PROPORTIONS OF CUSTOMERS, THE  
21       DISTRIBUTION OF CUSTOMER'S BILLS, AT&T WILL FOCUS ON THOSE  
22       CUSTOMERS WHO HAVE HIGH REVENUE. NOW WHAT HAPPENS TO THE  
23       CUSTOMERS WHO HAVE LOW REVENUE THAT AT&T DOESN'T WANT? IF  
24       BELLSOUTH GIVES AT&T THOSE PRICES FOR THOSE UNBUNDLED

1 ELEMENTS AND ALLOWS THEM TO STRIP OFF THOSE CUSTOMERS WHO  
2 ARE HIGH REVENUE/ HIGH CONTRIBUTION CUSTOMERS AND THE  
3 COSTS TO BELLSOUTH ARE NOT CONCURRENTLY REDUCED, WHAT  
4 HAPPENS TO THE COST OF THE REMAINING CUSTOMERS? IT GOES  
5 UP. THAT'S THE ONLY THING THAT CAN HAPPEN. AND WHO ARE  
6 THOSE REMAINING CUSTOMERS? THEY'RE NOT THE CUSTOMERS THAT  
7 AT&T WANTED; THEY'RE THE CUSTOMERS THAT AT&T DIDN'T WANT  
8 AND THOSE CUSTOMERS ARE GOING TO TEND TO BE THE HIGH COST  
9 CUSTOMERS WHICH ARE PRINCIPALLY RURAL CUSTOMERS. SO WHAT  
10 YOU HAVE TO LOOK AT WHEN YOU EXAMINE THIS AS A POLICY  
11 MATTER IS WHAT TYPE OF POLICY DO YOU WANT TO SET IN PLACE.  
12 DO YOU WANT TO SET IN PLACE A POLICY THAT ENCOURAGES  
13 RESALE AND UNBUNDLED COMPETITION? DO YOU WANT TO SET IN  
14 PLACE A POLICY THAT GIVES INCENTIVES TO INVEST AND TO  
15 BUILD AND TO GROW IN THE STATE OF SOUTH CAROLINA, AND EVEN  
16 TO SET IN PLACE A POLICY THAT ENSURES THAT RURAL CUSTOMERS  
17 STILL CAN ENJOY THE BENEFITS OF TELEPHONE SERVICE AT  
18 REASONABLE PRICES AS THEY HAVE IN THE PAST? I WOULD  
19 SUBMIT TO YOU THAT AGREEING WITH AT&T'S PROPOSAL WILL NOT  
20 GIVE YOU ANY ONE OF THOSE THINGS.

21 NOW LET ME TURN JUST BRIEFLY TO THE  
22 MATTER OF THE LAW. I DISAGREE WHOLEHEARTEDLY WITH THEIR  
23 CONCLUSION THAT THE LAW CLEARLY STATES THAT THIS SHOULD BE  
24 ALLOWED, BUT AGAIN LET ME BE VERY CLEAR ABOUT THAT. I

1 DON'T BELIEVE THAT'S AN ISSUE BEFORE THIS COMMISSION.  
2 THAT'S AN ISSUE BEFORE THE EIGHTH CIRCUIT COURT OF  
3 APPEALS. WE DON'T AGREE THAT THE F.C.C.'S RULES ALLOWING  
4 THIS RECOMBINATION AGREES WITH THE LAW, AND THOSE JUDGES  
5 WILL MAKE THAT DECISION. SO I'M NOT ASKING YOU TO MAKE  
6 THAT DECISION; BUT SINCE IT WAS BROUGHT UP, I WOULD LIKE  
7 TO SHARE WITH YOU BRIEFLY WHAT OUR VIEWS ARE AND WHY WE  
8 BELIEVE THE WAY THAT WE BELIEVE REGARDING THAT. THE  
9 SENTENCE THAT THEY TALK ABOUT IN THE ACT--IF I CAN FIND IT  
10 (EXAMINING DOCUMENT).

11 A (MR. GILLAN) IT'S 251(C)(3), LAST SENTENCE.

12 A (MR. VARNER) I THOUGHT I HAD PULLED IT OUT. I  
13 EVIDENTLY PULLED OUT THE WRONG PAGE (EXAMINING DOCUMENT).

14 A (MS. WINEGARD) I HAVE IT OUT. DO YOU WANT IT?

15 A (MR. VARNER) YEAH, I'D LIKE IT. YOU SHOULD READ IT  
16 TO ME.

17 A (MS. WINEGARD) I WAS ABOUT TO VOLUNTEER.

18 (LAUGHTER)

19 A (MR. VARNER) BUT WHAT IT SAYS IS THIS. "AN INCUMBENT  
20 LOCAL EXCHANGE CARRIER SHALL PROVIDE SUCH UNBUNDLED  
21 NETWORK ELEMENTS IN A MANNER THAT ALLOWS REQUESTING  
22 CARRIERS TO COMBINE SUCH ELEMENTS IN ORDER TO PROVIDE SUCH  
23 TELECOMMUNICATIONS SERVICE." I WANT TO JUST REPEAT ONE  
24 PART OF IT. THEY NEED TO BE PROVIDED IN A MANNER THAT

1       ALLOWS REQUESTING CARRIERS TO COMBINE SUCH ELEMENTS IN  
2       ORDER TO PROVIDE SUCH TELECOMMUNICATIONS SERVICES. NOW,  
3       THERE ARE TWO THINGS ABOUT THAT THAT I THINK ARE MISTAKEN.  
4       SOMEHOW THE F.C.C. WAS ABLE TO TAKE THAT PARTICULAR  
5       PROVISION AND TURN IT INTO, UPON REQUEST, AN INCUMBENT LEC  
6       SHALL PERFORM THE FUNCTIONS NECESSARY TO COMBINE UNBUNDLED  
7       NETWORK ELEMENTS IN ANY MANNER. NOW THAT'S NOT WHAT THIS  
8       SAYS. THIS SAYS THAT THE REQUESTING CARRIER SHALL COMBINE  
9       THEM. THE F.C.C. TURNED THAT INTO THE INCUMBENT LEC SHALL  
10      COMBINE THEM. THOSE TWO DON'T MEAN THE SAME THING TO ME,  
11      AND THAT IS WHAT AT&T IS REQUESTING. THEY'RE NOT ASKING  
12      TO COMBINE THESE ELEMENTS WITH ANYTHING. THEY'RE ASKING  
13      BELLSOUTH TO COMBINE THESE ELEMENTS AND MAKE THEM  
14      AVAILABLE TO THEM JUST AS WE WOULD A RESOLD SERVICE. THAT  
15      IS CLEARLY NOT WHAT THE PLAIN LANGUAGE OF THE ACT SAYS.

16               IN ADDITION, IF IN FACT CONGRESS HAD  
17      INTENDED THAT THERE BE TWO WAYS OF GETTING THE SAME THING,  
18      WHY WOULD CONGRESS HAVE PUT IN PLACE A MECHANISM THAT SAYS  
19      YOU CAN GET THE 10 PERCENT DISCOUNT FOR SOMETHING OR YOU  
20      CAN GET A 75 PERCENT DISCOUNT FOR THE SAME THING? IT  
21      WOULD NOT MAKE ANY SENSE TO DO THAT. WHAT THEY CLEARLY  
22      INTENDED IS THAT FOR THE RESALE PROVISIONS AND THE  
23      UNBUNDLED ELEMENT PROVISIONS TO APPLY TO TWO DIFFERENT  
24      THINGS, NOT THE SAME THING; AND WHAT AT&T IS TRYING TO

1 HAVE YOU BELIEVE IS THAT THEY OUGHT TO APPLY TO THE SAME  
2 THING. THE ONLY DIFFERENCE BETWEEN THESE TWO IS HOW AT&T  
3 REQUESTED IT FROM US. WE WILL PROVIDE THE CUSTOMER WITH  
4 THE SAME THING. WE WILL DO THE SAME THING. AT&T CAN DO  
5 THE SAME THING WITH THE SERVICE. WE'RE GOING TO PROVIDE  
6 THEM WITH A RESOLD 1FR WHEN THEY REQUEST REBUNDLED  
7 UNBUNDLED ELEMENTS OR WITH RESOLD 1FB. THAT'S EXACTLY  
8 WHAT THEY'RE GOING TO GET FROM US BECAUSE THAT'S WHAT  
9 THEY'RE ASKING FOR.

10 SO, AGAIN, THOSE ARE THE TWO POINTS WHY  
11 WE DO NOT BELIEVE THE F.C.C. PROPERLY INTERPRETED THE ACT.  
12 ONE IS THAT THEY'VE TAKEN THE WORDS IN THE ACT AND THEY'VE  
13 SORT OF MISCONSTRUED THEM, AND THE SECOND ONE IS THAT  
14 THEY'VE WRITTEN THE RESALE PROVISIONS OUT OF THE ACT BY  
15 THAT INTERPRETATION THAT THEY MADE. BUT AGAIN, VERY  
16 CLEARLY, THAT'S NOT AN ISSUE THAT WE'RE ASKING YOU TO  
17 DECIDE. THE JUDGES IN ST. LOUIS IN THE EIGHTH CIRCUIT  
18 WILL MAKE THAT DECISION. THE ISSUE BEFORE YOU IS A POLICY  
19 MATTER, IS HOW TO PRICE THESE THINGS.

20 THE LAST POINT, I JUST WANT TO HIT THIS  
21 BRIEFLY. MR. GILLAN MENTIONED THE IDEA THAT THEY ARE NOT  
22 GETTING THESE VERTICAL SERVICES FOR FREE. YES, THEY ARE  
23 GETTING THEM FOR FREE. THE REASON THEY'RE GETTING THEM  
24 FOR FREE IS THIS. THEY'RE GOING TO BUY LOCAL SWITCHING.

1 THAT'S ALREADY WHAT THEY'RE BUYING. THEY'RE NOT GOING TO  
2 PAY ANYTHING IN ADDITION TO THAT FOR THE VERTICAL  
3 SERVICES. NOW, IF THAT'S NOT FREE, I DON'T KNOW WHAT IS.  
4 WHAT WE'RE SUGGESTING HERE IS THIS. THEY CAN GET THE  
5 VERTICAL SERVICES. WE'RE NOT SAYING THAT THEY CAN'T GET  
6 THE VERTICAL SERVICES. BUT AS A PRICING MATTER, A  
7 VERTICAL SERVICE IS A RETAIL SERVICE. IT SHOULD BE PRICED  
8 AS A RETAIL SERVICE, AND IT SHOULD BE MADE AVAILABLE TO  
9 THEM AT THE WHOLESALE DISCOUNT THAT WOULD BE MADE  
10 AVAILABLE FOR RETAIL SERVICES. THAT'S REALLY ALL WE'RE  
11 SAYING. WE'RE NOT TRYING TO KEEP THEM FROM GETTING THEM.  
12 AGAIN, IT'S A MATTER OF WHAT'S THE APPROPRIATE WAY TO  
13 PRICE THEM.

14 A (MR. SCHEYE) LET ME JUST ADD, AS YOU WOULD EXPECT,  
15 WE'VE BEEN THROUGH THIS ISSUE SEVERAL TIMES IN SEVERAL  
16 JURISDICTIONS AND MAYBE IT'S BEEN PUT MOST SUCCINCTLY AND  
17 PROBABLY MOST PROPERLY BY THE LOUISIANA COMMISSION MOST  
18 RECENTLY WHEN THE COMMISSION BASICALLY SAID, AND I'M  
19 TRYING TO QUOTE, "A ROSE BY ANY OTHER NAME IS STILL A  
20 ROSE," AND I THINK THAT'S REALLY WHAT WE'RE TALKING ABOUT.  
21 THE REAL QUESTION THAT IS BEFORE US: ARE THOSE UNBUNDLED  
22 ELEMENTS, WHEN YOU PUT THEM TOGETHER, ANY DIFFERENT THAN A  
23 RESIDENCE OR BUSINESS LOCAL EXCHANGE LINE? THERE IS NO  
24 DIFFERENCE. THE ANSWER IS THEY'RE ABSOLUTELY NOT. AND

1 HOW DO WE KNOW THAT? HOW DID THE LOUISIANA COMMISSION  
2 KNOW THAT? HOW DID THE GEORGIA COMMISSION KNOW THAT AND  
3 THE NORTH CAROLINA COMMISSION, TO NAME A FEW? IT'S SIMPLE  
4 IN THE SENSE OF GOING THROUGH AND SAYING, WHEN I BUY  
5 RESIDENCE AND BUSINESS SERVICE, WHAT DO I GET? I GET THE  
6 RIGHT OF DIAL TONE, I GET TO DIAL A CERTAIN GEOGRAPHIC  
7 AREA IN A SEVEN-DIGIT BASIS, I GET CERTAIN CALLS ON A LONG  
8 DISTANCE BASIS, I GET TO RECEIVE TELEPHONE CALLS, I CAN  
9 REACH 911, I CAN MAKE 800 CALLS, AND I COULD GO THROUGH  
10 THE ENTIRE LITANY; BUT THAT'S FUNCTIONALLY WHAT LOCAL  
11 EXCHANGE SERVICE PROVIDES IN THE STATE OF SOUTH CAROLINA,  
12 ALSO IN THE STATES OF LOUISIANA, GEORGIA AND NORTH  
13 CAROLINA AND FOR THAT MATTER EVERY OTHER STATE IN THE  
14 COUNTRY. WHEN I COMBINE THOSE ELEMENTS, CAN I DO ANYTHING  
15 DIFFERENT? THE ANSWER IS NO, IT'S THE SAME THING, AND  
16 THAT'S WHY THAT COMMISSION DECIDED AND DETERMINED IT'S  
17 STILL A ROSE. YOU CAN CALL IT SOMETHING DIFFERENT, YOU  
18 CAN ORDER IT DIFFERENTLY, YOU CAN PORTRAY IT ANY WHICH WAY  
19 YOU WANT, BUT YOU WILL COME BACK TO ONE SIMPLE ANSWER,  
20 IT'S THE IDENTICAL SERVICE. AS MR. VARNER SAID, CONGRESS  
21 WOULD NOT HAVE CREATED THE IDENTICAL SERVICE AND HAVE TWO  
22 ENTIRELY DIFFERENT PRICING SCHEMES APPLIED TO IT. IT IS  
23 JUST NONSENSICAL. SO I THINK, AGAIN, WHILE WE'VE SAID IT  
24 IN A LOT OF WORDS AND A LOT OF ARGUMENTS, MAYBE THE MOST



1 SUCCINCT VERSION OF IT IS WHAT THE LOUISIANA COMMISSION  
2 ADOPTED. THANK YOU.

3 CHAIRMAN BUTLER: DO THE  
4 COMMISSIONERS HAVE ANY QUESTIONS?

5 COMMISSIONER SCOTT: I DO.

6 CHAIRMAN BUTLER: COMMISSIONER  
7 SCOTT.

8 EXAMINATION BY COMMISSIONER SCOTT:

9 Q (COMMISSIONER SCOTT) THIS IS FOR BOTH PANELS. WHAT  
10 HAPPENS TO THE EXTENDED AREA SERVICE AGREEMENTS? WHEN  
11 AT&T COMES IN AND STARTS PROVIDING LOCAL SERVICE, ARE YOU  
12 GOING TO HONOR THE EXTENDED AREA SERVICE AGREEMENTS THAT  
13 THIS COMMISSION HAS PREVIOUSLY ORDERED?

14 A (MS. WINEGARD) WHY DON'T I START AND MAYBE MR. CARROLL  
15 WANTS TO ANSWER AS WELL. FIRST OF ALL, I DO HAVE TO  
16 CORRECT WHAT MR. SCHEYE REPEATEDLY SAYS ABOUT NORTH  
17 CAROLINA. THEY DID SAY THAT WE COULD COMBINE THE NETWORK  
18 ELEMENTS IN ANY WAY TECHNICALLY FEASIBLE. THEY'VE ASKED  
19 FOR COMMENTS ON THE PRICING OF THOSE ELEMENTS. THEY HAVE  
20 NOT REACHED ANY FIRM CONCLUSION ON THAT. BUT THEY DID SAY  
21 THAT A PLAIN READING OF THE ACT, REINFORCED BY THE F.C.C.  
22 ORDER, LEADS TO THE INESCAPABLE CONCLUSION THAT WE CAN  
23 RECOMBINE IN ANY WAY WE WANT.

24 ALL RIGHT, NOW TO THAT SPECIFIC QUESTION

1 AND THAT IS A VERY GOOD QUESTION. IN A COMPETITIVE  
2 ENVIRONMENT CUSTOMERS WILL WANT AREA CALLING PLANS AND  
3 CUSTOMERS THAT WANT AREA CALLING PLANS CAN SUBSCRIBE TO  
4 THE AREA CALLING PLANS THAT BELL SOUTH HAS OR ANY OF THE  
5 OTHER INCUMBENT CARRIERS HAVE; AND TO BE COMPETITIVE, IF  
6 WE PERCEIVE THAT OUR CUSTOMERS WANT AREA CALLING PLANS,  
7 YES, WE WILL HAVE THEM. IF WE PERCEIVE THAT WE CAN OFFER  
8 A BETTER PLAN OR ANOTHER CALLING AREA THAT CUSTOMERS WANT  
9 AND BELL SOUTH DOESN'T OFFER IT, THEN THEY WILL COME TO US.  
10 BUT THE COMPETITIVE MARKET WILL DICTATE THE AVAILABILITY  
11 OF THOSE PLANS; AND IF SOUTH CAROLINIANS WANT THOSE PLANS,  
12 AS A COMPETITOR IN THE MARKET WE WILL PROVIDE THOSE AS A  
13 RESULT OF CUSTOMER DEMAND. NOW THE PROBLEM THAT WE HAVE  
14 JUST BEEN DISCUSSING WITH RESPECT TO CATEGORICALLY  
15 APPLYING THE RESALE DISCOUNT ANY TIME WE PURCHASE BOTH THE  
16 LOOP AND THE SWITCH, THEN THAT PREVENTS US FROM CHANGING  
17 THE AREA CALLING PLANS IF CUSTOMERS DEMAND ANOTHER AREA TO  
18 BE SERVED, ANOTHER LOCAL CALLING AREA, BECAUSE IF WE'RE  
19 STUCK WITH THE RESALE, WE'RE STUCK WITH THEIR CALLING AREA  
20 AS THEY DEFINE IT, AND WE BELIEVE IT'S MORE APPROPRIATE  
21 FOR CONSUMERS TO MAKE THAT CHOICE AND TO TELL US THE AREA  
22 THEY WANT SERVED AND WE WILL BE THERE AND WE WILL MEET  
23 THAT DEMAND.

24 DID YOU WANT TO ADD TO THAT?

1 A (MR. CARROLL) YES. ONE OF OUR MARKETING VICE  
2 PRESIDENTS WAS ASKED A QUESTION ABOUT WHAT IS THE  
3 DEFINITION OF LONG DISTANCE. HE RESPONDED, "WELL, WHEN I  
4 LOOK OUT MY KITCHEN WINDOW, IF I CAN'T SEE IT, THAT'S LONG  
5 DISTANCE." I THINK THAT'S WHAT IT SAYS ABOUT THE LOCAL  
6 CALLING AREAS. I THINK IN FACT COMPETITION WILL CAUSE  
7 THAT TO BE MORE WIDELY AVAILABLE TO MORE PEOPLE. THE  
8 ANSWER IS YES, WE WILL HONOR THE EXTENDED AREA SERVICE  
9 AGREEMENTS, DEPENDING ON THE OUTCOME OF THIS COMMISSION IN  
10 TERMS OF YOUR RULING. IF YOUR RULING IS AS BELL SOUTH  
11 REQUESTS AND ONLY RESALE IS AVAILABLE, YOU'RE ONLY GOING  
12 TO SEE COMPETITION DEVELOP IN DENSE AREAS, MAINLY IN THE  
13 BUSINESS COMMUNITY, MAINLY IN THE LARGE CITIES. IF YOU  
14 RULE AS WE RECOMMEND IN THE POLICY AREAS, THEN YOU WILL  
15 SEE THE COMPETITION DEVELOP THAT WILL ENABLE THOSE LOCAL  
16 CALLING AREAS TO BE EXPANDED. IN FACT, THE DEFINITION  
17 THAT WE REACHED AGREEMENT ON WITH BELL SOUTH IN TERMS OF  
18 LOCAL SERVING AREAS GIVE US THAT COMPETITIVE FLEXIBILITY.  
19 THAT WAS THE ITEM THAT'S PART OF 24 THAT WAS MENTIONED  
20 EARLIER IN TERMS OF REACHING SETTLEMENT ON IT.

21 Q (COMMISSIONER SCOTT) GO AHEAD.

22 A (MR. GILLAN) ACTUALLY MY COMMENT WENT TO SOMETHING  
23 THAT MR. VARNER SAID AND I DON'T WANT TO CUT OFF YOUR  
24 QUESTIONS. IF I COULD JUST HAVE THE OPPORTUNITY TO ANSWER

1 AT THE END, THAT WOULD BE FINE.

2 Q (COMMISSIONER SCOTT) OKAY, FINE. BUT YOU MENTIONED  
3 COMPETITION DRIVING IT, BUT COMPETITION WON'T DRIVE THE  
4 E.A.S.'S BECAUSE WHAT THIS COMMISSION HAS HAD IS A  
5 SITUATION WHERE A SMALL COMMUNITY WANTS THE ABILITY TO  
6 CALL A LARGE COMMUNITY AND WANTS THE ABILITY FOR THAT  
7 LARGE COMMUNITY TO CALL THEM BECAUSE THE LARGE COMMUNITY  
8 DOESN'T REALLY CARE THAT MUCH ABOUT CALLING THEM. WE'VE  
9 HAD TO ORDER EXTENDED AREA SERVICE ARRANGEMENTS BECAUSE OF  
10 THE WISHES OF THIS COMMUNITY WHEREAS THESE PEOPLE WOULD  
11 HAVE VOTED IT DOWN, SO THE COMPETITION HERE WOULDN'T  
12 CREATE THE VOLUNTARY NEED FOR EXTENDED AREA SERVICE. DO  
13 YOU SEE WHAT I'M SAYING?

14 A (MR. GILLAN) YEAH, BUT THE WAY YOU'RE THINKING ABOUT  
15 THE PROBLEM IS YOU'RE THINKING ABOUT IT IN THE CONTEXT  
16 THAT THERE'S GOING TO BE ONE COMPANY AND IT'S GOING TO  
17 HAVE ONE CALLING PLAN AND IT'S GOING TO FIT ALL CUSTOMERS  
18 AND, THEREFORE, YOU HAVE TO HAVE SOME SORT OF DEMOCRATIC  
19 ELECTION OF THE SERVICE THAT THE COMMUNITY AT LARGE  
20 SUBSCRIBES TO. THE ENVIRONMENT OF THE FUTURE IS, IF  
21 CARRIERS CAN BUY ALL THESE NETWORK ELEMENTS AND COMPLETE  
22 TRAFFIC AND DESIGN THEIR OWN LOCAL CALLING AREAS, YOU WILL  
23 FIND CARRIERS TRYING TO FIND SUBSCRIBERS. THE WHOLE POINT  
24 OF THIS NEW GAME IS YOU'VE GOT TO WIN THE SUBSCRIBER.

1 THAT'S GOOD FROM THE COMMISSION'S POINT OF VIEW BECAUSE IT  
2 MEANS THERE'S GOING TO BE A BUNCH OF PEOPLE OUT THERE  
3 TRYING TO GET THESE CUSTOMERS TO COME OVER TO THEIR LOCAL  
4 SERVICES, THEIR LONG DISTANCE SERVICES, THEIR PACKAGE OF  
5 SERVICES. IN THAT PROCESS, YOU DON'T NEED TO HAVE A  
6 COMMUNITY ELECT IT. ALL YOU NEED TO HAVE IS THAT IF A  
7 CARRIER CAN COME IN AND COMPLETE A CALL AND PAY THE COST  
8 OF COMPLETING A CALL, WHETHER IT'S "LONG DISTANCE OR  
9 LOCAL", THEN THEY WILL DESIGN WHATEVER CUSTOMERS WANT TO  
10 BUY IN AN EFFORT TO ATTRACT THEM. ONE COMPANY COULD HAVE  
11 A DIFFERENT ONE. YOU'D HAVE FRIENDS AND FAMILIES BETWEEN  
12 THESE THINGS, IF YOU WILL.

13 Q (COMMISSIONER SCOTT) BUT RURAL AREAS ARE GOING TO END UP  
14 LOSING IT BECAUSE, FOR EXAMPLE, ORANGEBURG TO BRANCHVILLE.  
15 PEOPLE IN ORANGEBURG WOULD PROBABLY NOT SELECT A PHONE  
16 COMPANY TO CALL BRANCHVILLE, BUT PEOPLE IN BRANCHVILLE  
17 WOULD LIKE ORANGEBURG TO BE ABLE TO CALL THEM AND THIS  
18 COMMISSION HAS ORDERED THAT, REGARDLESS.

19 A (MS. WINEGARD) AND THAT IS WHY YOU--

20 A (MR. CARROLL) COMMISSIONER, I SAID WE WOULD HONOR THE  
21 REQUIREMENTS. IF YOU MISSED THAT, I APOLOGIZE. I WASN'T  
22 CLEAR.

23 Q (COMMISSIONER SCOTT) OKAY, SO YOU ARE GOING TO HONOR  
24 THEM.

1 A (MR. CARROLL) HOWEVER, IF THERE'S ONLY RESALE  
2 AVAILABLE, YOU WILL NOT SEE US HERE IN AN EFFECTIVE WAY,  
3 AS BELL SOUTH HAS OUTLINED. SO THE OUTCOME OF YOUR RULINGS  
4 ARE GOING TO DEPEND, I THINK, IN TERMS OF HOW ROBUST  
5 COMPETITION IS DEVELOPED; BUT RELATIVE TO ENTERING, WE  
6 WILL HONOR YOUR REQUIREMENTS.

7 Q (COMMISSIONER SCOTT) OKAY. SO REGARDLESS OF ALL THE  
8 DISCUSSION ABOUT COMPETITION, WHATEVER THE LOCAL AREA IS,  
9 YOU WILL HONOR THAT LOCAL AREA.

10 COMMISSIONER SCOTT: OKAY, THANK  
11 YOU.

12 Q (MS. TAYLOR) DO YOU WANT BELL SOUTH TO RESPOND?

13 COMMISSIONER SCOTT: IF THEY HAVE A  
14 RESPONSE, THAT'S FINE.

15 A (MR. VARNER) JUST BRIEFLY. YOUR CONCERN IS REALLY A  
16 LEGITIMATE ONE; AND AS YOU'RE HEARING, UNLIKE MAYBE SOME  
17 FOLKS OVER ON THE OTHER SIDE OF THE TABLE, I THINK THAT  
18 YOU'VE HIT ON A VERY, VERY IMPORTANT POINT AND THAT IS  
19 YOUR ABILITY TO BE ABLE TO DO THINGS FOR THE GOOD OF THE  
20 PUBLIC--

21 Q (COMMISSIONER SCOTT) RIGHT.

22 A (MR. VARNER) AS OPPOSED TO BEING ABLE TO DO THINGS  
23 FOR PRIVATE INDIVIDUALS, TO DO WHAT'S IN THEIR OWN BEST  
24 INTERESTS. NOW WHAT AT&T IS PROPOSING IS A SYSTEM THAT,

1 WITHOUT A DOUBT, FOR PRIVATE INTERESTS IS IN FACT PROBABLY  
2 THE BEST WAY TO DO IT; BUT YOU'VE MADE DECISIONS THAT YOU  
3 FELT WERE FOR THE GOOD OF THE PUBLIC, FOR THE PUBLIC AS A  
4 WHOLE, AND YOUR ABILITY TO CONTINUE TO DO THAT IS GOING TO  
5 BE SEVERELY DAMAGED IF IN FACT THEY ARE ALLOWED TO BE ABLE  
6 TO GO IN AND CHERRY PICK THIS COMPETITION IN THE WAY THAT  
7 THEY'VE INDICATED THAT THEY WANT TO DO IT.

8 A (MR. CARROLL) MR. COMMISSIONER, BELLSOUTH HAS 1.2  
9 MILLION LINES, THE REST OF THE WORLD HAS ZERO. I HARDLY  
10 BELIEVE THE SKY IS FALLING. WHAT WE'RE ASKING FOR HERE IS  
11 OPEN, ROBUST COMPETITION AND WE BELIEVE THAT WILL BE GOOD  
12 FOR THE CONSUMERS THROUGHOUT THE STATE OF SOUTH CAROLINA,  
13 AND THAT'S OUR BASIC BELIEF. WE THINK THERE ARE MANY  
14 MECHANISMS THAT WILL CONTINUE TO SEARCH FOR WAYS TO SOLVE  
15 THE PROBLEMS. THE UNIVERSAL SERVICE FUND HAS BEEN  
16 MENTIONED AS ONE WAY TO SERVE CERTAIN CONSUMERS DIFFERENT  
17 IN THE FUTURE THAN THEY HAVE IN THE PAST, BUT WE BELIEVE  
18 THAT COMPETITION WILL BE GOOD FOR THE CONSUMERS THROUGHOUT  
19 SOUTH CAROLINA AND LOOK FORWARD TO IT.

20 VICE CHAIRMAN BRADLEY: I'VE GOT A  
21 QUESTION.

22 EXAMINATION BY VICE CHAIRMAN  
23 BRADLEY:

24 Q (VICE CHAIRMAN BRADLEY) I'LL DIRECT THIS TO AT&T AND

1 PERHAPS TO YOU, MR. CARROLL. HAS AT&T DONE ANY COST  
2 ESTIMATES ON IF THEY WERE GOING TO BUILD THEIR OWN  
3 FACILITIES-BASED OPERATION IN SOUTH CAROLINA--SWITCHES,  
4 ACCESS LINES, ET CETERA, WHAT THE COST WOULD BE? I THINK  
5 MS. WINEGARD SAID MILLIONS OF DOLLARS, BUT WHAT ARE WE  
6 SPECIFICALLY TALKING ABOUT?

7 A (MR. CARROLL) NO, WE HAVEN'T IN THAT REGARD. WHEN I  
8 THINK SHE SAID MILLIONS OF DOLLARS, SHE WAS REPRESENTING  
9 TO THE INSTALLED BASE OF ASSETS AND CUSTOMERS THAT ARE  
10 HERE. I THINK WHAT YOU'LL SEE HAPPEN IS THAT THE MARKET  
11 WILL EVOLVE AS JOSEPH GILLAN AND DR. KASERMAN TALKED  
12 ABOUT. I THINK WITH THE KIND OF TOOLS THAT WE'RE TALKING  
13 ABOUT HERE THAT ARE ENVISIONED IN THE ACT, YOU'LL SEE  
14 COMPETITION DEVELOP FIRST AT THE RETAIL LEVEL AND THEN I  
15 THINK YOU'LL SEE COMPETITION DEVELOP AT THE WHOLESALE  
16 LEVEL. WHAT DOES THAT MEAN? INSTEAD OF SEEING A PRICE  
17 FOR AN INDIVIDUAL SWITCH HOOK OF, SAY \$1.29, YOU'LL START  
18 TO SEE A HUNDRED SWITCH HOOKS FOR SALE AT SEVENTY BUCKS;  
19 AND AS THAT HAPPENS, YOU'LL SEE FACILITIES INVESTED IN AND  
20 DEVELOPED. INITIALLY, CERTAINLY SWITCHES WOULD BE PUT IN  
21 IN THAT STAGE AND THEN I THINK THERE'S SOME QUESTION  
22 AROUND THE LOCAL LOOP IN TERMS OF HOW MUCH OF THAT IS A  
23 NATURAL MONOPOLY AND HOW FAR DOWN THE FOOD CHAIN THAT  
24 WOULD BE DEVELOPED. SO THAT'S WHERE WE ARE IN THIS STATE.



1 WE'VE DONE SOME PLANNING, BUT IN THE END I THINK IT'S  
2 GOING TO DEPEND ON WHAT THE CONDITIONS OF ENTRY ARE AND  
3 HOW SUCCESSFUL WE ARE AT THE RETAIL LEVEL BEFORE WE MOVE  
4 INTO THE FACILITIES BASED AND THE WHOLESALE LEVEL.

5 Q (VICE CHAIRMAN BRADLEY) I THINK THAT IT HAS BEEN SAID  
6 HERE IN THE LAST DAY OR SO THAT AT&T WOULD LIKE TO, LET'S  
7 SAY, HAVE 35 PERCENT OF THE MARKET. I THINK MAYBE 30  
8 PERCENT WAS THROWN OUT. IF YOU HAD 30 PERCENT OF THE  
9 MARKET, WOULD YOU HAVE YOUR OWN FACILITIES?

10 A (MR. CARROLL) YES, I BELIEVE SO; BUT 30 PERCENT OF THE  
11 MARKET WAS A NUMBER THAT WAS ATTRIBUTED TO EITHER THE  
12 ATTORNEY IN THE OPENING STATEMENT OR MR. VARNER MAYBE.  
13 THAT WAS A GOAL THAT BOB ALLEN HAD ARTICULATED FOR A  
14 NATIONAL KIND OF ATTAINMENT. IT DOESN'T MEAN THAT WE  
15 WOULD DO THAT IN EVERY MARKET OR BE THAT SUCCESSFUL IN  
16 EVERY MARKET.

17 Q (VICE CHAIRMAN BRADLEY) BUT IF YOU WERE THAT SUCCESSFUL  
18 IN SOUTH CAROLINA, YOU'D HAVE YOUR OWN FACILITIES?

19 A (MR. CARROLL) YES.

20 VICE CHAIRMAN BRADLEY: NO FURTHER  
21 QUESTIONS.

22 Q (MS. TAYLOR) HAVE WE MISSED ANY REPLIES?

23 A (MR. GILLAN) I'D LIKE TO MAKE A VERY, VERY SHORT  
24 REPLY TO MR. VARNER'S CRITICISMS BECAUSE IT ACTUALLY

1 DIDN'T HAVE ANYTHING OR VERY LITTLE TO DO WITH NETWORK  
2 COMBINATIONS. HIS CRITICISM WAS THAT IF YOU LET THEM DO  
3 THIS, THEY WON'T BUILD. WELL, I THINK THE ANSWER THAT MR.  
4 CARROLL GAVE, AT&T WILL BUILD. LET'S FACE IT, THERE'S  
5 NOBODY THAT'S GOING TO COMPETE AGAINST BELLSOUTH THAT  
6 WANTS TO RELY ON THEM ENTIRELY. EVERYBODY HAS AN  
7 INCENTIVE TO BUILD. THE FACTOR THAT WILL DECIDE WHETHER  
8 YOU BUILD AND WHAT YOU BUILD HAS TO DO WITH THE PRICE OF  
9 THE NETWORK ELEMENTS. WHERE BELLSOUTH'S NETWORK IS THE  
10 MOST EFFICIENT AND THE BEST CHOICE, CARRIERS WON'T BUILD  
11 TO REPLICATE IT. THAT'S GOOD FOR CONSUMERS. THAT'S WHAT  
12 THE ACT CALLS FOR AND, QUITE FRANKLY, WALL STREET WOULDN'T  
13 HAVE IT ANY OTHER WAY. THEY'RE NOT GOING TO LEND MONEY TO  
14 PEOPLE TO GO BUILD NETWORKS THAT ARE MORE COSTLY THAN  
15 BELLSOUTH'S. BUT THAT HAS TO DO WITH THE ABILITY OF  
16 FINDING PLACES YOU CAN DO IT BETTER THAN BELLSOUTH AND  
17 BRING THOSE BENEFITS TO CONSUMERS. IT DOES NOT HAVE  
18 ANYTHING TO DO WITH COMBINING ELEMENTS.

19 THEN JUST A SECOND POINT. HE INDICATED  
20 THAT THE VERTICAL FEATURES ARE FREE. USING HIS LOGIC, I  
21 JUST BOUGHT A CAR THAT I'M GLAD TO FIND OUT THAT THE RADIO  
22 WAS FREE, THE TIRES WERE FREE, THE SEATS WERE FREE, THE  
23 ENGINE WAS FREE. UNFORTUNATELY, THE TOTAL PRICE OF THE  
24 CAR SEEMS TO BE VERY HIGH TO ME NOW. IT'S THE SAME THING

1           HERE. NOTHING IS FREE HERE. AT&T PAYS FULLY FOR THOSE  
2           CAPABILITIES BECAUSE THOSE CAPABILITIES ARE BUILT INTO THE  
3           SWITCH AND THEY PAY FOR THEM.

4                       THAT WAS MY ONLY COMMENT. THANK YOU.

5       Q       (MS. TAYLOR)       LET'S MAKE ISSUES 16 AND 19 VERY BRIEF,  
6           IF WE CAN. SIXTEEN CONCERNS BELLSOUTH MAKING RIGHTS-OF-  
7           WAY AVAILABLE TO AT&T ON TERMS AND CONDITIONS EQUAL TO  
8           THAT IT PROVIDES ITSELF. AS WE DID WITH THE LAST  
9           ELEMENTS, 24 THROUGH 29, I WOULD ASK THAT EACH PANEL MAKE  
10          A BRIEF SUMMARY STATEMENT AND WE'LL BEGIN WITH BELLSOUTH.

11       A       (MR. SCHEYE)       LET ME DEAL WITH ISSUE 16, THAT'S RIGHT-  
12          OF WAYS. IN ESSENCE, OUR PROPOSAL IS FAIRLY STRAIGHT-  
13          FORWARD. WE HAVE RIGHT-OF-WAY AGREEMENTS AND CONTRACTS,  
14          HAVE FOR YEARS, WITH LOTS OF OTHER CARRIERS. WE ARE  
15          APPLYING THE SAME PRINCIPLES PRECISELY TO THOSE CARRIERS.  
16          WE WOULD LIKE AT&T TO DO THAT AS WELL. THEY HAVE ASKED  
17          FOR CERTAIN SPECIFIC THINGS THAT WERE RAISED HERE IN SOUTH  
18          CAROLINA THAT DID NOT COME UP IN OTHER PROCEEDINGS. ONE  
19          OF THOSE HAS TO DO WITH ENVIRONMENTAL INFORMATION BEING  
20          PROVIDED TO THEM. BASICALLY BELLSOUTH IS--IT'S AN  
21          IMPRACTICAL CAPABILITY OF OURS BECAUSE WE DON'T FULLY OWN  
22          ALL OF OUR DUCTS. SOMETIMES THEY'RE OWNED BY OTHER  
23          PARTIES, ET CETERA. SOMETIMES THOSE ENVIRONMENTAL TESTS  
24          ARE PERFORMED WITHOUT OUR KNOWLEDGE, SO WE WOULDN'T EVEN

1 KNOW TO BE ABLE TO TELL THEM. SO IT'S NOT A MATTER OF  
2 INTENT OR POLICY OR ANYTHING ELSE, BUT THERE'S A PRACTICAL  
3 PROBLEM WITH THAT.

4 THEY'VE ALSO ASKED FOR STORAGE SPACE FOR  
5 CERTAIN KINDS OF EQUIPMENT IN OUR DUCTS, AND AGAIN I THINK  
6 THIS IS NOT A POLICY ISSUE, IT'S A PRACTICAL ISSUE.  
7 THERE'S LOTS OF CARRIERS WHO WILL WANT TO USE OUR DUCTS  
8 AND ALREADY DO. WE HAVE TO SOMEHOW LIMIT THE AMOUNT OF  
9 EQUIPMENT BECAUSE THERE'S A FINITE AMOUNT OF SPACE IN  
10 THOSE DUCTS. WE CAN'T LET PEOPLE JUST LEAVE ANYTHING AND  
11 EVERYTHING IN THERE. WE HAVE MADE A PROPOSAL TO AT&T  
12 WHICH WE THINK WE CAN LIVE WITH WHICH ALLOW THEM TO LEAVE  
13 CERTAIN EQUIPMENT IN THERE FOR SHORT PERIODS OF TIME. WE  
14 BELIEVE WE CAN MAKE THAT APPLICABLE TO OTHER CARRIERS AS  
15 WELL, BUT AGAIN WE CANNOT SIMPLY SAY YOU LEAVE WHATEVER  
16 YOU WANT IN OUR DUCTS BECAUSE YOU'RE DEALING WITH FINITE  
17 SPACE AND YOU'RE DEALING WITH A POTENTIALLY LARGE NUMBER  
18 OF CARRIERS. I GUESS THE BOTTOM LINE OF OUR PROPOSAL IS,  
19 WE HAVE EXPERIENCE WITH DUCTS IN RIGHT-OF-WAY. WE'VE BEEN  
20 DOING IT FOR YEARS. WE THINK IT OUGHT TO BE APPLIED IN A  
21 COMPARABLE MANNER TO AT&T, JUST LIKE ALL OTHER PARTIES AND  
22 ALL OTHER CARRIERS, AND THAT'S BASICALLY WHAT WE'RE  
23 PROPOSING.

24 A (MR. HAMMAN) IF I CAN RESPOND FROM AT&T'S

1 PERSPECTIVE, WHAT THE ACT CALLS FOR IS NONDISCRIMINATORY,  
2 EQUAL BASIS PROVISIONING OF THE ACT IS WHAT WE'RE TALKING  
3 ABOUT HERE ON RIGHT-OF-WAYS. WE'RE ASKING FOR THE SAME  
4 THING THAT BELLSOUTH PROVIDES TO THEMSELVES: ACCESS TO  
5 PROVIDE THE EQUIPMENT WHEN YOU'RE DOING SOME CONSTRUCTION  
6 FOR UP TO 48 HOURS, ACCESS TO A COMMON DUCT THAT THEY HAVE  
7 IN THEIR EMERGENCY RESTORATION PROCEDURE. WE'RE ASKING  
8 FOR THE SAME ACCESS FOR US AND OTHER CARRIERS THAT WOULD  
9 HELP US IN THE CASE OF A RESTORATION, AND ACCESS WHERE  
10 THEY HAVE IT AVAILABLE TO THAT INFORMATION ON WHERE  
11 THERE'S HAZARDOUS CONTAMINANTS IN THE DUCTS THAT THEY OWN.  
12 SO AS MR. SCHEYE HAS SAID, HE WANTS TO LIMIT AT&T. HE  
13 WANTS TO PUT US IN THE SAME WITH OTHER CARRIERS, BUT NOT  
14 IN THE SAME BOAT WITH BELLSOUTH AND IT DOESN'T SEEM TO ME  
15 THAT'S WHAT THE ACT CALLS FOR. BELLSOUTH HAS THESE  
16 PROCEDURES IN PLACE FOR THEMSELVES. THEY, I'M SURE, DON'T  
17 RESTRICT THEIR INSTALLATION CREW FROM LEAVING THEIR  
18 EQUIPMENT AND WE'RE ONLY ASKING FOR UP TO 50 FEET OF CABLE  
19 AND SOME OTHER EQUIPMENT DURING A 48 HOUR PERIOD OF TIME.  
20 THESE ARE NOT UNRESOLVABLE ISSUES. THEY'RE NOT POLICY  
21 ISSUES. BUT WHAT IS THE POLICY ISSUE THAT MR. SCHEYE AND  
22 BELLSOUTH CONTINUALLY BRINGS UP TO US AND IT SEEMS VERY  
23 SUBTLE IS THAT THEY WANT TO LIMIT US AND PUT US IN A BOAT  
24 WITH OTHER CARRIERS AND NOT IN THE SAME BOAT WITH

1           THEMSELVES, AND THE ACT CALLS FOR US TO BE ON AN EQUAL,  
2           NONDISCRIMINATORY BASIS WITH THEMSELVES AND IT WOULD HELP  
3           US GET INTO THE MARKET.

4           Q       (MS. TAYLOR)           ISSUE 19, REGARDING DARK FIBER, DO THE  
5           PARTIES WISH TO MAKE A SUMMARY STATEMENT ON THAT ISSUE?

6           A       (MR. VARNER)           I'LL MAKE A BRIEF STATEMENT WITH REGARD  
7           TO THAT ISSUE. THE ISSUE AROUND DARK FIBER IS VERY SIMPLY  
8           THIS. DARK FIBER IS NOT A NETWORK ELEMENT; THEREFORE, IT  
9           CANNOT BE UNBUNDLED. IF YOU LOOK AT THE DEFINITION OF A  
10          NETWORK ELEMENT THAT THE F.C.C. HAS WRITTEN, IT SAYS THE  
11          NETWORK ELEMENT IS "A FACILITY OR EQUIPMENT USED IN THE  
12          PROVISION OF A TELECOMMUNICATIONS SERVICE." WHAT DARK  
13          FIBER IS IS FIBER THAT IS IN THE NETWORK THAT IS NO LONGER  
14          IN USE. IT IS SITTING THERE. MAYBE IT WAS IN USE AT SOME  
15          POINT IN TIME; BUT, FOR WHATEVER REASON, IT DOESN'T SERVE  
16          ANY PURPOSE AND IT'S NOT BEING USED IN THE NETWORK. IF  
17          YOU'RE LIKE ME, IT'S SORT OF AKIN TO THINGS THAT YOU  
18          BOUGHT THAT YOU USED AT ONE TIME AND END UP GETTING STORED  
19          IN THE BACK OF A CLOSET SOMEWHERE WITH THE THOUGHT THAT  
20          MAYBE SOMEDAY, YOU KNOW, I'LL HAVE A USE FOR THAT THING,  
21          AND THAT'S WHAT THIS IS AKIN TO. IT'S NOT USED FOR  
22          TELECOMMUNICATIONS SERVICE; CONSEQUENTLY, IT CAN'T BE  
23          TREATED AS AN UNBUNDLED ELEMENT. THEREFORE, THERE IS NO  
24          REQUIREMENT THAT WE MAKE IT AVAILABLE.

1 A (MR. HAMMAN) AT&T ASKED FOR DARK FIBER, NOT AS ONE OF  
2 THE TWELVE ELEMENTS UP THERE, BUT WE ASKED FOR IT AS AN  
3 ANCILLARY FUNCTION OF THE NETWORK. THEN IT IS USED IN THE  
4 TELECOMMUNICATION SERVICES AS BELLSOUTH. AS I DEMON-  
5 STRATED IN THE CD-ROM PRESENTATION, IT'S PART OF THE  
6 COMMON AND DEDICATED TRANSPORT. TYPICALLY TODAY MOST  
7 TELECOMMUNICATION SERVICES THAT COMPANIES PUT IN PLACE FOR  
8 THE TRANSPORT ELEMENTS--FIBER OPTIC, HIGH CAPACITY FIBER  
9 OPTIC FACILITIES. IN MANY CASES THESE FIBER OPTIC  
10 FACILITIES CONTAIN UP TO 96 STRANDS OF FIBER. IN MANY  
11 CASES, NOT ALL OF THOSE STRANDS ARE USED IN--CURRENTLY  
12 BEING USED BY BELLSOUTH, BUT THEY ARE DEPLOYED IN THE  
13 NETWORK. THEY'RE AVAILABLE FOR OUR USE. BELLSOUTH'S NOT  
14 USING THEM, SO OUR BELIEF IS WE'D BE WILLING TO PAY FOR  
15 THEM UNDER THE PRICING COST STRUCTURE THAT THE F.C.C. HAS  
16 PROVIDED US. THEY'RE AVAILABLE FOR OUR USE AND THEY  
17 SHOULD BE MADE AVAILABLE TO US. BELLSOUTH IS USING THESE  
18 FACILITIES FOR THEIR OWN TELECOMMUNICATION SERVICES.  
19 THEY'RE NO DIFFERENT. THEY'RE IDENTICAL TO THE SAME  
20 FACILITIES THAT THEY USE, THESE STRANDS ARE. THE ONLY  
21 DIFFERENCE IS, ON DARK FIBER THE ELECTRONICS IS NOT ON THE  
22 END OF THE FIBER. THEY'RE JUST A PIECE OF GLASS SITTING  
23 THERE WAITING FOR THE ELECTRONICS TO BE PUT ON. SO  
24 THEY'RE IDENTICAL TO WHAT BELLSOUTH IS USING TODAY,

1 THEY'RE AVAILABLE, AND WE BELIEVE AT&T SHOULD HAVE ACCESS  
2 TO THOSE.

3 Q (MS. TAYLOR) LET'S MOVE QUICKLY TO THE FIRST ISSUES  
4 THAT ARE LISTED IN THE MATRIX REGARDING LOCAL SERVICES  
5 RESALE. THE FIRST ISSUE, I BELIEVE, IS STATED AS WHAT  
6 SERVICES PROVIDED BY BELLSOUTH, IF ANY, SHOULD BE EXCLUDED  
7 FROM RESALE AND I'M INTERESTED IN THE PARTIES TALKING  
8 ABOUT WHO HAS THE BURDEN OF PROOF THAT SERVICES SHOULD BE  
9 EXEMPTED AND WHEN AND WHY, IF BELLSOUTH WOULD LIKE TO  
10 START BY ADDRESSING THAT QUESTION.

11 A (MR. SCHEYE) I BELIEVE IN ACCORDANCE WITH THE F.C.C.,  
12 IN THE SENSE THAT IF THERE'S A BURDEN OF PROOF IT'S UPON  
13 US AND WE TAKE THAT BURDEN, AND FOR THAT REASON WE'RE  
14 LIMITING TO A VERY FEW NUMBER OF SERVICES THOSE SERVICES  
15 THAT WE DO NOT BELIEVE SHOULD BE AVAILABLE FOR RESALE.  
16 THE PROOF FOR THEM IS A RELATIVELY SIMPLE ONE AND THAT IS,  
17 FOR EXAMPLE, CONTRACT SERVICE ARRANGEMENTS. IT'S A  
18 PRICING MECHANISM. THE CONTRACT SERVICE ARRANGEMENT, THE  
19 SERVICE THAT UNDERLIES IT, WILL IN FACT BE AVAILABLE FOR  
20 RESALE SO WE'RE NOT LIMITING OR PROHIBITING AT&T OR ANYONE  
21 ELSE FOR RESELLING OUR BASIC SERVICES. WHAT WE'RE SAYING  
22 IS THE CONTRACT SERVICE ARRANGEMENT IS SOMETHING THAT IS A  
23 COMPETITIVELY PRICED ARRANGEMENT; THEREFORE, THAT  
24 PARTICULAR PRICE SHOULD NOT BE RESOLD. SIMILARLY, WE HAVE



1 LIFELINE/LINKUP SUBSIDY PROGRAMS. THEY ARE TECHNICALLY  
2 AVAILABLE THROUGH MESSAGE RATE LOCAL EXCHANGE SERVICE.  
3 WE'RE SAYING IF AT&T WANTS TO PROVIDE THEM, THEY CAN  
4 PROVIDE MESSAGE RATE LOCAL EXCHANGE SERVICE AND THEY, LIKE  
5 US, CAN ABSORB THE SUBSIDY OR THE LOSS. SO WE'RE SAYING  
6 THEY CAN RESELL THE SERVICE, THEY CAN PROVIDE IT TO THE  
7 IDENTICAL CUSTOMERS WE CAN; HOWEVER, TO THE EXTENT WE  
8 ABSORB A SUBSIDY, THEY SHOULD ABSORB THE SAME SUBSIDY IN  
9 PROVIDING THAT SERVICE. THOSE ARE THE TYPE OF LIMITATIONS  
10 THAT WE'RE PUTTING ON. FURTHER, PROMOTIONAL SERVICES FOR  
11 LESS THAN 90 DAYS SHOULD NOT BE MADE AVAILABLE FOR RESALE.  
12 AGAIN, THERE'S A RETAIL SERVICE THERE THAT ONE CAN RESELL  
13 AT A DISCOUNT. WE'RE NOT SAYING THEY CAN'T. THE  
14 PROMOTION IS SOMETHING WE WOULD TYPICALLY LOSE MONEY ON;  
15 FOR EXAMPLE, WAIVE A NONRECURRING CHARGE. IF AT&T WANTS  
16 TO PROVIDE THE SAME SERVICE AND WAIVE THE NONRECURRING,  
17 THEY CAN, TOO, AND THEY CAN ABSORB THAT EXPENSE LOSS JUST  
18 LIKE WE CAN FOR THE SAKE OF MARKETING OR COMPETITION, ET  
19 CETERA. SO IN NO CASE ARE WE SAYING THE SERVICE WON'T BE  
20 AVAILABLE FOR RESALE; WE'RE SAYING THE BASIC, UNIQUE  
21 PRICING ARRANGEMENTS THAT ARE APPLICABLE TO THESE TYPES OF  
22 SITUATIONS SHOULD BE--MAKE THOSE PRICES NOT AVAILABLE FOR  
23 RESALE, BUT WE'RE NOT RESTRICTING ANY SERVICE BEING MADE  
24 AVAILABLE FOR RESALE.